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C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 002027

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SUBJECT: EU ARMS AGENCY: STATE OF PLAY

Classified By: USEU External Affairs Officer Andrew Erickson  
for reasons 1.5 (b) and (d).

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Summary  
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1. (C) The EU continues to develop the EU Arms Agency (EUAA), and hopes to have it up and running by the final quarter of 2004. The agency's mission is to develop a systematic EU approach to addressing ESDP capability needs. EU officials note that close coordination with NATO will be required if the agency is to be successful, and fault current EU-NATO dialogue on addressing the capabilities shortfalls of EU members. As the EUAA moves off the drawing board and into operation, we need to respond rapidly to ensure appropriate access to the agency as it evolves. With this in mind, we have nominated one of the key officials in the EU's planning team for a VolVis program to the US; we suggest aggressive engagement with him in Washington to ensure that he understands US redlines and desiderata for the arms agency, and the rationale behind our thinking. End summary.

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Modalities  
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2. (U) On the basis of a tasking from the November 17/18 GAERC, the EU arms agency establishment team (AET) is now meeting regularly in Brussels to develop an outline of the new EU institution. It should be noted that the working name of the new organization is now the "European Arms Agency". On April 28 the AET issued a report on progress to date. This report remains in draft until approved by the Council. It is on the agenda for the May 17-18 General Affairs Council (GAERC).

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What's Planned?  
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3. (C) The GAERC assigned the arms agency four functions, including "defense capabilities development, armaments cooperation, the European defense technological and industrial base (DTIB) and defense equipment market (EDEM), and research and technology." Specifically, the AET has identified the need to address "an insufficiently systematic or comprehensive approach to identifying ESDP's capability requirements," "a lack of clear future needs on which collaborations...can be built", and "a fragmented DTIB, which suffers from a lack of economies of scale and too much duplication; from under-funding of R&T, and from a demand-side and a market which remain largely national rather than European in scale."

4. (C) Comment: it is the last point which bears particular emphasis, according to Paul Collins, a leading member of the AET, for it is in rationalizing the EU arms market that improved capabilities can be obtained from existing expenditure. We note, however, that placing responsibility for harmonizing defense industries, establishing ESDP acquisition requirements and priorities, and assessing EU force capabilities could lead to a "command economy" for EU defense backed up by Council decisions that would be binding on member-states. In other words, there is a strong potential to institutionalize "fortress Europe" in armaments. A Dutch PSC representative told us recently that the member states divide roughly into two camps on EUAA development: those who emphasize using the organization to increase capabilities, and those whose interest is more in line with "Fortress Europe" thinking. End comment.

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A need for close  
EU-NATO dialogue  
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5. (C) Collins dismissed our question about why the need for an EU arms agency exists, given NATO's role. The EU has already made a decision to proceed, he asserted, so this was a pointless question. The more important question, for Collins, was how to improve NATO-EU cooperation, particularly given the "disastrous" functioning of the EU-NATO capabilities group. Collins argued that only "a real change of attitude" on the part of NATO would make NATO influence

possible with the European Arms Agency.

16. (C) While scathing in his dismissal of the current EU-NATO capabilities dialogue, Collins underscored that a NATO leadership role was "essential" if the European Arms Agency was to work in a way that strengthened transatlantic cooperation on capabilities. On the other hand, the reality of the arms agency was that there would be an EU approach to research, development, and procurement, and NATO would have to learn to live with this. The key was determining the nature of the relationships between the EU and NATO. In this regard, it should be noted that the EU has rejected the idea of non-member states participating in armaments agency decision-making; the EU position is that "transparency can be secured" through consultative roles for non-member states.

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Thinking big...  
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17. (C) Regardless of the evolution of its relationship with NATO, the European Arms Agency is rapidly staffing up, and expects to have 26 personnel by the final quarter of 2004. Budgetary estimates for 2004-2005 will be largely driven by personnel and accommodation costs and will be approximately 2.4 million euros in 2004 and some 25 million euros in 2005 (including 10 million for non-recurring agency start-up costs).

18. (C) According to the draft planning document, the agency will be governed by bi-annual defense ministerial level meetings ("perhaps back-to-back with GAERCs in November and May"). On the question of the attendance of the NATO SYG: the draft AET document says that NATO SYG attendance "will usually be appropriate." It should be noted that according to the draft AET document, there "will be a need for decisions by the Council" on an occasional basis. "Such occasions might be "when a substantive decision binding on all participating member states was at issue", "when decisions...involved competences beyond those of defense ministers", and "when the additional political force of a decision by the Council seemed desirable."

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...but starting small  
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19. (C) The AET has also sketched out some initial priorities for work in 2005 (following the achievement of operational status in 2004). These 2005 priorities include:  
-- supporting work on the headline goal;  
-- developing more comprehensive and systematic approaches to capabilities development;  
-- assuming oversight of ECAP (the European Capabilities Action Plan);  
-- beginning work on a long-term vision; and,  
-- supporting work on collaborative activities.

110. (C) As a specific example of the sort of initial efforts that the European Arms Agency might undertake, the AET informally proposed launching an initiative in the SATCOM area "with the aim of suggesting a way ahead. This area is considered essential for interoperability and effective command and control of EU forces. The scope is to analyze the requirements, possible options and contributions of existing SATCOM capacities. Proposals will include R & T focus, cooperative schemes (operational and equipment) and industrial ramifications."

111. (C) We asked what would prevent the European Arms Agency from simply becoming a tool for a few powerful EU countries (such as France) to impose their armaments standards upon the entire EU. Collins (strictly protect) replied that "the reality of European capabilities today is that to the extent that most EU countries have capabilities, they're niche capabilities. We need to ensure that we plan our procurement so that the countries that make the best gas masks -- for example -- end up setting the standard for that capability. This will not reinforce French dominance, particularly."

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Comment: we need  
to engage now for  
maximum influence  
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112. (C) The agency establishment team has been pushing forward aggressively with developing the parameters of the new arms agency. Paul Collins, who is one of the small group of officials charged with articulating the somewhat ill-defined EU vision of what the Arms Agency will ultimately be, has been a key interlocutor of this mission as the EU's vision evolves. Post has nominated Collins for a VolVis program, and he has received the approval of the AET to go if our nomination is approved in Washington. We believe that this is an extraordinarily important opportunity for us to

engage with a key AET interlocutor before the outlines of the arms agency get set in stone. We recommend that Washington interlocutors with equities in this issue be prepared to engage Collins during his upcoming visit, and particularly, that Collins eventually departs Washington with a full understanding of the need to get the development of the European Arms Agency right. End comment. Schnabel